Federal Reserve Release

Press Release

Release Date: June 25, 2003

For immediate release

The Federal Open Market Committee decided today to lower its target for the federal funds rate by 25 basis points to 1 percent. In a related action, the Board of Governors approved a 25 basis point reduction in the discount rate to 2 percent.

The Committee continues to believe that an accommodative stance of monetary policy, coupled with still robust underlying growth in productivity, is providing important ongoing support to economic activity. Recent signs point to a firming in spending, markedly improved financial conditions, and labor and product markets that are stabilizing. The economy, nonetheless, has yet to exhibit sustainable growth. With inflationary expectations subdued, the Committee judged that a slightly more expansive monetary policy would add further support for an economy which it expects to improve over time.

The Committee perceives that the upside and downside risks to the attainment of sustainable growth for the next few quarters are roughly equal. In contrast, the probability, though minor, of an unwelcome substantial fall in inflation exceeds that of a pickup in inflation from its already low level. On balance, the Committee believes that the latter concern is likely to predominate for the foreseeable future.

Voting for the FOMC monetary policy action were Alan Greenspan, Chairman; Ben S. Bernanke; Susan S. Bies; J. Alfred Broaddus, Jr.; Roger W. Ferguson, Jr.; Edward M. Gramlich; Jack Guynn; Donald L. Kohn; Michael H. Moskow; Mark W. Olson; and Jamie B. Stewart, Jr.

Voting against the action was Robert T. Parry. President Parry preferred a 50 basis point reduction in the target for the federal funds rate.

In taking the discount rate action, the Federal Reserve Board approved the requests submitted by the Boards of Directors of the Federal Reserve Banks of Boston, New York, St. Louis, Kansas City, and San Francisco.

2003 Monetary policy